



STATE OF CALIFORNIA

BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

NEWS RELEASE

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Arnold Schwarzenegger, Governor

William P. Wood, Commissioner

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Modesto Man Ordered to Pay \$16 Million for Investment Fraud Following Civil Action Filed by the Department of Corporations

SACRAMENTO --- John M. Pappas of Modesto was ordered to pay more than \$16 million in fines following an investigation and subsequent civil action filed by the Department of Corporations for engaging in investment fraud that was aimed at senior citizens, the Department today announced.

Pappas and his associate, Michael R. Hensley, had been illegally selling automatic teller machines and pay telephones as unqualified security investments since April of 2000, when the Department of Corporations ordered him to stop. Records show that Pappas targeted senior citizens as potential investors, including an 89-year old woman who lost \$288,000. Additionally, the Department found that Pappas had violated the law by making false and misleading statements to investors and failing to disclose commissions that he earned.

"Investment Fraud – especially when it's targeted at senior citizens – is a serious and often-unnoticed crime that will not be tolerated in California," said Corporations Commissioner William P. Wood. "The court's decision to impose the maximum penalty allowed by law should be a strong deterrent to anyone contemplating an investment scheme."

Superior Court Judge Linda McFadden ordered Pappas to pay \$16,434,385 in fines and penalties. Hensley settled out of court for \$500,000.00

The Department of Corporations is California's Investment and Financing Authority, reporting to the Business, Transportation and Housing Agency and the Governor. The Department is responsible for the regulation, enforcement and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending and residential mortgage lending. For further information or to obtain a complaint form, see the Department's Web site at www.corp.ca.gov or call 1-866-ASK-CORP (1-866-275-2677).

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